



May 24, 2019

# Washington Update

## This Week in Congress

**House** – The House passed [H.R. 1994](#), “The Setting Every Community Up for Retirement Enhancement (SECURE) Act,” and [H.R. 1500](#), “The Consumers First Act.” A unanimous consent motion to adopt [H.R. 2157](#), which would provide \$19.1 billion for supplemental disaster relief, was blocked by Representative Chip Roy (R-TX).

**Senate** – The Senate passed H.R. 2157, and “[S. 151](#), “The Telephone Robocall Abuse Criminal Enforcement and Deterrence Act.”

## Next Week in Congress

**House** – The House will be in recess, but will meet in pro forma session at 2 p.m. Tuesday, May 28, and could announce additional pro forma sessions later in the week. The House may attempt to pass H.R. 2157, or additional legislation to extend the National Flood Insurance Program (NFIP), by unanimous consent.

**Senate** – The Senate will be in recess, but will meet in pro forma session at 11:30am on Tuesday, May 28, and 10:30 a.m. on Friday, May 31. If the House fails to pass H.R. 2157, the Senate may consider an NFIP extension bill.

## TAX

### **Carried Interest Developments, Including Legislation Proposed by Senator Wyden (D-OR)**

#### *Key Points:*

- *Senate Finance Committee Ranking Member Wyden (D-OR) introduced legislation that would force carried interest gains to be taxed every year.*
- *President Trump indicated during the 2016 presidential election that he was in favor of rolling back the preferential tax treatment of carried interest and again reiterated that opinion earlier this week.*

- *Subsequent to the President’s comments, Treasury Secretary Steven Mnuchin said there are no plans to address carried interest at this time.*

Senate Finance Committee Ranking Member Ron Wyden (D-OR) introduced [legislation](#) on Thursday that would roll back the current preferential tax treatment of carried interest. The bill would specifically recognize carried interest gains so that they can be taxed every year. Carried interest was a topic of discussion

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during the 2016 presidential race. This week, President Trump indicated that he wanted to eliminate the carried interest preference and that he still intends to do so. However, the Tax Cuts and Jobs Act (TCJA) imposed only modest limits on carried interest.

Ranking Member Wyden said this week, “[i]f President Trump wants to address carried interest and make the tax code more fair, he’ll be happy to support my new proposal that would full close the loophole.”

House Ways and Means Committee Chairman Richard Neal (D-MA) added that forcing carried interest gains to be taxed every year could potentially offset the cost of extending the temporary tax credits. Treasury Secretary Steven Mnuchin discussed the issue with lawmakers this week and explained that the Administration has no plans to change the treatment of carried interest.

## SECURE Act Passes in the House

### Key Points:

- *The House of Representatives passed the SECURE Act on Thursday. The bill would make it easier for employers to offer 401(k)-type plans, increase the age to start taking required withdrawals from both 401(k)s and IRAs, and make other modest retirement changes.*
- *The Senate is hoping to pass the House bill and move it to the President’s desk, but unable to clear the bill by unanimous consent on Thursday.*
- *Additional retirement legislation is likely to be considered this year, including bills by Portman-Cardin and issues around multiemployer plans.*

On Thursday, the House of Representatives passed [H.R. 1994](#), the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, by a vote of 417-3. The bill would make it easier for employers to offer 401(k)-type plans and include annuities as options for workers. The bill would also repeal the age cap for contributing to traditional individual retirement accounts and would increase the age to start taking required withdrawals from both 401(k)s and IRAs from 70 ½ to 72. The Senate attempted to pass the House-passed bill Thursday afternoon, but was unable to achieve the unanimous consent needed to move the legislation.

The House bill repeals a 2017 change to the “Kiddie Tax” that has been causing surprise tax increases for many taxpayers. Senator Rob Portman (R-OH), a Finance Committee member, indicated that the bill would swiftly pass through the Senate. Senate Finance Committee Ranking Member Ron Wyden (D-OR) said; “[t]he House-passed legislation is very similar to the Senate bill, and I’m working with Chairman Grassley to get legislation signed into law as soon as possible.” The Joint Committee on Taxation (JCT) score of the House bill can be found [here](#).

Additional retirement legislation may come up again later this year. One proposal by Senators Portman and Ben Cardin (D-MD) would give employers incentives to increase the standard minimum default contribution rate under auto-enrollment from 3 percent to 6 percent. House Ways and Means Chairman Neal is also expected to reintroduce a bill that would require most businesses that do not have a retirement plan to offer one that automatically enrolls employees.

For more information about tax issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Henry Homans contributed to this section.

## **FINANCIAL SERVICES**

### **Secretary Mnuchin Testifies in House Financial Services Committee**

#### *Key Point:*

- *The Committee questioned Mnuchin on a variety of topics, including President Trump's tax returns, trade, China, FSO, sanctions, and international insurance negotiations.*

On May 22, the House Financial Services Committee held a [hearing](#) entitled "The Annual Testimony of the Secretary of the Treasury on the State of the International Financial System – Part II." Part I of the hearing occurred on April 9, 2019. The Committee received testimony from Treasury Secretary Steven Mnuchin.

Much of the hearing focused on the request from the House Ways and Means Committee for President Trump's tax returns. Representatives Jennifer Wexton (D-VA), Alma Adams (D-NC), Ed Perlmutter (D-CO), Stephen Lynch (D-MA), Juan Vargas (D-CA), and Chairwoman Maxine Waters (D-CA) criticized Mnuchin's decision not to turn over the tax returns, arguing that the statute does not give the secretary discretion to decline the request. Mnuchin argued that it would be unlawful for him to provide the returns. He stressed the need to avoid weaponizing the IRS.

Representatives Ben McAdams (D-UT), Cindy Axne (D-IA), Dean Phillips (D-MN) and Emanuel Cleaver (D-MO) raised concerns with

the Administration's trade policies. McAdams and Axne raised concerns that tariffs will increase costs for consumers. Mnuchin responded that Treasury is closely monitoring for impacts on consumer products and would be implementing an exclusion process. Cleaver suggested that the current trade policy is hurting soybean farmers.

Representative David Kustoff (R-TN) said Congress is faced with passing or not passing the U.S.-Mexico-Canada Agreement (USMCA). He asked what would happen to the economy if the USMCA is passed or not passed. Mnuchin urged Congress to take up the USMCA. He noted that U.S. Trade Representative (USTR) Robert Lighthizer has been working with Speaker Pelosi on it. He said it would have an economic impact of 30-100 basis points of GDP, which is a large impact. He stated that the USMCA has support from governors and businesses. He said he was pleased with the recent agreement on steel and aluminum tariffs. He stated that there could be a significant negative impact if it is not passed, depending on whether NAFTA was kept or eliminated.

Representatives Scott Tipton (R-CO) and Lee Zeldin (R-NY) expressed opposition to the imposition of European-style capital standards on the U.S. insurance industry. They pointed to Treasury's work with the International Association of Insurance Supervisors (IAIS) on an international capital standard (ICS). Zeldin said the European model would not work for the U.S. He commended Mnuchin's commitment to protecting U.S. sovereignty and the state-based insurance regulatory system in any negotiations. He emphasized that the U.S. insurance regulatory system must be deemed outcome equivalent. He asked for an update on

the international negotiations. Mnuchin said “Team USA” is focused on defending the U.S. state-based regulatory system.

### House Passes the Consumers First Act

*Key Point:*

- *The bill would reverse actions taken by former CFPB Acting Director Mick Mulvaney.*

On May 22, the House passed the Consumers First Act ([H.R. 1500](#)) by a vote of 231-191. The bill, introduced by House Financial Services Committee Chairwoman Maxine Waters (D-CA), would reverse a number of actions taken by former Consumer Financial Protection Bureau (CFPB) Acting Director Mick Mulvaney. The provisions of the bill, as described in a Committee press release, include:

- Resuming the previously authorized supervision of financial firms for Military Lending Act compliance;
- Restoring the supervisory and enforcement powers of the Office of Fair Lending and Equal Opportunity;
- Reestablishing a dedicated student loan office; requiring adequate agency staffing, including for supervision and enforcement;
- Limiting the number of political appointees the Consumer Bureau may hire to address allegations that they suppressed the work of dedicated, professional staff;
- Mandating the consumer complaint database to remain transparent and publicly accessible;
- Reinstating the Consumer Advisory Board that was effectively terminated by Mr. Mulvaney with protections to ensure consumer voices are well

represented, and that diversity and inclusion are promoted on the agency’s advisory boards; and,

- Encouraging greater cooperation with other government agencies, like the U.S. Departments of Education and Defense.

The bill is not expected to be taken up by the Senate.

### Senate Banking Committee Holds Hearing on Beneficial Ownership

*Key Points:*

- *The Committee Members discussed proposals to require companies to report beneficial ownership information at the time of their formation.*
- *Much of the hearing focused on the relationship between President Trump and Deutsche Bank.*

On May 21, the Senate Banking Committee held a [hearing](#) entitled “Combating Illicit Financing by Anonymous Shell Companies through the Collection of Beneficial Ownership Information.” The Committee received testimony from Financial Crimes Enforcement Network (FinCEN) Director Kenneth Blanco, FBI Financial Crimes Section Chief Steven D’Antuono, and Office of the Comptroller of the Currency (OCC) Senior Deputy Comptroller for Bank Supervision Policy Grovetta Gardineer. Much of the hearing focused on a *New York Times* report indicating the Deutsche Bank management blocked the filing of suspicious activity reports (SARs) related to the businesses of President Trump and Jared Kushner.

Chairman Mike Crapo (R-ID) said the hearing would examine the issues around the collection

of beneficial ownership information, noting that they would be holding a second hearing focused on industry perspectives. He asserted that the majority of anonymous vehicles are used for legitimate purposes, stressing the need to avoid imposing excessive regulatory burdens. He said high profile leaks, such as the Panama Papers and Paradise Papers, have highlighted the use of anonymous shell companies in illicit finance. Crapo commended FinCEN for putting forward its Customer Due Diligence (CDD) rule, which has been in effect for a year. He said the rule requires covered institutions to collect information on identifiable people. He said the rule provided some transparency into corporate ownership, but it is focused only on certain financial institutions and does not reach millions of new corporate vehicles. He stated that law enforcement has indicated there is a need for broader collection of beneficial ownership and for it to be stored in a central repository. He expressed interest in how this information would be collected, stored and protected.

Ranking Member Sherrod Brown (D-OH) contended that companies should be required to file basic ownership information when they are formed. He stated that this would address long-standing challenges facing law enforcement. He said the U.S. has become a haven for anonymous shell companies. He stated that he and Chairman Crapo are in agreement on the need to collect information on the actual owners of companies. He suggested that this can be done simply and without imposing excessive burdens by requiring collection of ownership information when all companies are formed. He said a database should be created within FinCEN with strict privacy protections.

Senator Pat Toomey (R-PA) expressed concern that undue burdens could be imposed on innocent parties by beneficial ownership information requirements. He stressed the need to strike an appropriate balance. He suggested that wrongdoers could simply lie on the beneficial ownership forms.

Chairman Mike Crapo (R-ID) asked how Congress should structure a beneficial ownership regime. Blanco said the regime should be simple and concise, noting that the CDD rule only includes six or seven questions. Crapo asked who should collect the data. Blanco said the data should be collected in one place. He stated that whoever holds the data must be sufficiently resourced, suggesting that it could be FinCEN. He stressed the need to have one single place law enforcement can go for information. He stressed the need to have strong data protections and penalties for violators. Crapo asked if the information collected should be stored in one central location. Blanco responded in the affirmative. He said there must be one centralized location for law enforcement to go for information, noting that there is not a central repository today. Gardineer said banks collect beneficial ownership information at account opening, but they have no source to verify that information. She said there should be a centralized place where that information is collected. She said this information could be collected by the states or at the national level. D'Antuono stressed the importance of law enforcement having a central repository of information. He said they currently have to go to different states, some of which do not collect this information. He suggested that FinCEN would be a good place for the repository. Crapo asked if there is disagreement with the suggestion that the repository be at FinCEN. Blanco said he

would support this, so long as FinCEN is appropriately resourced. Gardineer said the OCC would support FinCEN or another entity that could keep the information safe while providing access.

## SEC Issues Staff Guidance on SRO Fee Filings

### Key Point:

- *The guidance is intended to assist SROs in preparing fee filings which demonstrate compliance with Exchange Act requirements that fees be reasonable, equitably allocated, not unfairly discriminatory, and not an undue burden on competition.*

On May 21, the Securities and Exchange Commission's (SEC) Division of Trading and Markets issued staff [guidance](#) on self-regulatory organization (SRO) rule filings relating to fees. The guidance focuses on "how SROs can ensure that they have clearly described their proposed fees and addressed how they satisfy Exchange Act requirements that, among other things, fees be (i) reasonable, (ii) equitably allocated, (iii) not unfairly discriminatory, and (iv) not an undue burden on competition."

The guidance explains that:

SROs should be prepared to address potential burdens on competition particularly where there may be: (a) fee structures where, based upon the characteristics or order flow of a firm, there are significant differences in variable costs for firms (e.g., effective rate differences due to differentiated tiering schedules); and/or (b) fee structures where, based upon the significant premiums required to

purchase certain high performance products and services for access and connectivity, there are potentially significant barriers to entry for smaller firms unable to reasonably afford such products.

Additionally, the SEC recently released its Spring 2019 semi-annual regulatory agenda, which noted that the Division of Trading and Markets is "considering recommending that the Commission propose transparency, infrastructure, and governance rules concerning market data distribution and market access." The agenda document indicates that a proposed rule could be issued by April 2020; however, this timeline could be subject to change.

## Upcoming Hearings and Meetings

### May 30

**FSOC:** The Financial Stability Oversight Council (FSOC) will meet in an executive session. The agenda for the meeting includes "a discussion regarding U.S. nonfinancial corporate credit, a discussion of public comments submitted regarding proposed amendments to the Council's interpretive guidance on nonbank financial company designations, and a discussion of equity market structure."

### May 31

**Financial Technology:** The Securities and Exchange Commission's (SEC) Strategic Hub for Innovation and Financial Technology (FinHub) will hold its 2019 FinTech Forum to discuss distributed ledger technology and digital assets. The event will include panels on: (1) Capital Formation Considerations; (2) Trading and Markets Considerations; (3) Investment

Management Considerations; and (4) Distributed Ledger Technology Innovations: Industry Trends and Specific Use Cases for Financial Markets.

### **June 5**

**Regulation Best Interest:** The Securities and Exchange Commission (SEC) will hold an open meeting to consider four items: (1) Final Rule: Regulation Best Interest — Standard of Conduct for Broker-Dealers; (2) Final Rule: Form CRS Relationship Summary; (3) Interpretation: Standard of Conduct for Investment Advisers; and (4) Interpretation: “Solely Incidental”.

### **June 5-6**

**CFPB Advisory Committees:** The Consumer Financial Protection Bureau (CFPB) will hold a meeting of its Consumer Advisory Board, Credit Union Advisory Council, and Community Bank Advisory Council.

### **June 11**

**FIMSAC:** The Securities and Exchange Commission (SEC) will hold a meeting of its Fixed Income Market Structure Advisory Committee (FIMSAC). The Advisory Committee will consider a recommendation from the Technology and Electronic Trading Subcommittee.

*For more information about financial services issues you may email [Joel Oswald](#) or [Alex Barcham](#).*

## **HEALTH**

### **House Budget Committee Holds Hearing on Single-Payer System**

#### *Key Points:*

- *The House Budget Committee held a hearing titled “Key Design Components and Considerations for Establishing a Single-Payer Health Care System”*
- *Questions focused on private insurance, patient costs, impacts on providers, and the cost of the legislation.*

On May 22, the House Budget Committee held a [hearing](#) entitled “Key Design Components and Considerations for Establishing a Single-Payer Health Care System.” Topics discussed in the hearing included, but were not limited to: (1) Federal Costs/Financing; (2) Private/Employer-Sponsored Insurance; (3) Provider Impacts; (4) Innovation; (5) Existing Policies; (6) Benefit Structure; (7) Utilization Management; (8) Public Option; (9) Consolidated Medical Records; (10) Medicaid Expansion; and (11) Takings Clause.

Committee Democrats promoted a single-payer health care system as the best way to ensure universal coverage and affordable prices for all Americans. Chairman John Yarmuth (D-KY) praised the success of the Affordable Care Act (ACA) in expanding insurance to 20 million people, but argued single-payer was necessary to address high premiums, deductibles, and out-of-pocket (OOP) costs. He also expressed openness to incremental solutions in the short-term to facilitate a smooth transition. One such solution, offered by Representative Seth Moulton (D-MA), was including a public option on the ACA exchanges to maintain competition in the health care market.

Republican members strongly opposed transitioning to a single-payer system, expressing particular concern about the potential for provider shortages that would cause rationing of care or long wait times for patients. Ranking Member Steve Womack (R-AR) warned that eliminating private health insurance would limit consumer choices and stifle health care innovation. Members also highlighted the taxation and budgetary impacts of single-payer legislation, citing a [study](#) from the Mercatus Center which projected the cost of the Medicare for All Act of 2019 ([H.R. 1384](#)) at \$32.6 trillion over ten years.

Witnesses reminded members that the Congressional Budget Office's (CBO) report on single-payer systems did not evaluate any legislative proposals. Witnesses stressed that the costs and benefits of a single-payer system would be contingent on its design, particularly choices related to coverage scope, benefit design, and provider payments. However, CBO representatives acknowledged that a single-payer system would cover more individuals, and cautioned that applying Medicare reimbursement rates universally would likely create a provider shortage.

The CBO report on single-payer health care systems can be found [here](#).

### Ways and Means Examines Surprise Medical Billing

#### Key Points:

- *The House Ways and Means Committee held a hearing titled "Protecting Patients from Surprise Medical Bills"*
- *Questions focused on the causes of surprise bills, development of provider networks, and negotiations between insurers and providers.*

On March 21, the House Ways and Means Committee's Subcommittee on Health held a [hearing](#) entitled "Protecting Patients from Surprise Medical Bills." Topics discussed in the hearing included: (1) Provider Networks/Consolidation; (2) Insurer-Provider Negotiations; (3) Air Ambulances; (4) Arbitration; (5) Rate Setting; (6) Federal Legislation/Preemption; (7) Medicare; and (8) Bundling.

There was bipartisan agreement about the need to address surprise out-of-network medical billing. Chairman Lloyd Doggett (D-TX) emphasized that federal legislation is needed to address the issue, particularly because states cannot regulate plans governed under the Employee Retirement Income Security Act (ERISA). He championed his "End Surprise Billing Act of 2019" ([H.R. 861](#)), which would ensure that emergency services are billed at in-network rates and require hospitals to disclose out-of-network providers to patients before services are rendered in non-emergency situations. Doggett also expressed openness to working with the Trump Administration on federal legislation.

Other legislative solutions discussed were rate setting, arbitration, and bundled billing. The American Medical Association (AMA) witness expressed strong opposition to rate setting, arguing the approach would reduce incentives for insurers to create inclusive provider networks. Arbitration drew a mixed response, garnering strong support from the American Hospital Association (AHA) witness and opposition from the America's Health Insurance Plans (AHIP) representative, who contended independent arbiters are biased in favor of provider offers. Members indicated bundled billing is the policy favored by the

Administration, while the AHA witness cautioned that it would place an undue burden on hospitals without eliminating the practice of balance billing.

Members and witnesses agreed that any solution needs to remove the patient as an intermediary in disputes between insurers and providers. There was also broad agreement about the need for patient disclosures and consent to prevent unforeseen expenses caused by out-of-network services.

### Energy and Commerce Examines Drug Pricing Transparency

#### Key Points:

- *The Energy and Commerce Committee held a hearing entitled “Improving Drug Pricing Transparency and Lowering Prices for American Consumers.”*
- *The hearing focused on seven bills aimed at improving transparency by requiring companies to report and explain price increases and require pharmacy benefit managers to report on discounts and negotiations.*

On May 21, the House Energy and Commerce Committee’s Health Subcommittee held a hearing entitled “Improving Drug Pricing Transparency and Lowering Prices for American Consumers.” Topics discussed in the hearing included: (1) Formulary Placement; (2) Samples; (3) Pharmaceutical Company Costs; (4) Innovation; (5) Transparency/Reporting; (6) Rebates; (7) Launch Prices; (8) Part D Modernization; (9) Role of the Federal Government; and (10) Patient Impacts.

The Committee considered the following bills:

- The Creating Lower cost Alternatives for Your prescription drugs Act ([H.R.](#)

[2757](#)), which would eliminate cost-sharing for low income Medicare enrollees;

- The Stopping the Pharmaceutical Industry from Keeping drugs Expensive (SPIKE) Act ([H.R. 2069](#)) and the Fair Accountability and Innovative Research (FAIR) Drug Pricing Act ([H.R. 2296](#)), which would require drug manufacturers to justify significant increases in list prices;
- The Drug Price Transparency Act ([H.R. 2087](#)), which would require manufacturers to report average sales price (ASP) data for drugs covered under Medicare Part B to the Centers for Medicare and Medicaid Services (CMS);
- [H.R. 2064](#), which would direct manufacturers to report the price and quantities of drug samples and devices offered to providers;
- The Public Disclosure of Drug Discounts Act ([H.R. 2115](#)), which would require PBMs to report the discounts obtained in negotiations with manufacturers to ensure discounts are passed on to consumers; and
- The Prescription Pricing for the People Act of 2019 ([H.R. 2376](#)), which would direct the Federal Trade Commission (FTC) to review pharmacy benefit managers (PBM) negotiations to evaluate whether these constitute anticompetitive practices.

Democrats questioned how pharmaceutical companies justify price increases. Several argued revenues are not being used to significantly support research and development. They also questioned how PBMs make formulary determinations and

the impact on patient access to appropriate treatments. Republicans questioned the impact transparency measures would have on competition in the marketplace. They pointed out disclosure of PBM discounts or negotiations could result in fewer price concessions from manufacturers.

*For more information about healthcare issues you may [email](#) or call Nicole Ruzinski Bertsch or George Olsen at 202-659-8201. Thomas McGrath contributed to this section.*

## **TRADE**

### **USMCA Developments**

#### *Key Points:*

- *Section 232 tariffs were removed on steel and aluminum from Canada and Mexico, and related retaliation was removed contemporaneously, clearing one significant obstacle for USMCA.*
- *Congressional Democrats continue to push for stronger enforcement mechanisms.*

In the last week, several developments have improved the odds for adoption of the U.S.-Mexico-Canada Agreement (USMCA), though certain hurdles still remain and the exact timing of any Congressional consideration remains to be determined.

On Monday the U.S. eliminated Section 232 tariffs on steel and aluminum from Canada and Mexico in exchange for the repeal of retaliatory duties on U.S. goods, based on an agreement reached last Friday, May 17. The change represents a significant step towards the ultimate passage of the USMCA by clearing a hurdle to passage in Congress and in Canada's parliament. Nonetheless, other issues remain.

Many House Democrats continue to have concerns with the current enforcement mechanisms in the agreement.

Representative Suzan DelBene (D-WA), among others, have suggested that the current provisions in the USMCA around dispute settlement and labor enforcement has not improved from the language in the North American Free Trade Agreement (NAFTA). Senate Finance Committee Ranking Member Ron Wyden (D-OR) and Senator Sherrod Brown (D-OH) have put forward a cooperative proposal which calls for Mexico to commit to increase the number and training of enforcement personnel while the U.S. provides capacity-building and joint initiatives to promote the enforcement of core labor rights outlined by the International Labor Organization (ILO). The proposal would also allow the two governments to audit and inspect facilities suspected of violating labor standards.

House Speaker Nancy Pelosi (D-CA) indicated she supports the Wyden-Brown proposal and wants to change the text of the USMCA to incorporate it. U.S. Trade Representative (USTR) Robert Lighthizer has stated in the past that it would be a mistake to revise the deal while it has the support of all three countries involved. He has suggested using Section 301 to enforce USMCA, though many Democrats have questioned how doing so would resolve the “panel-blocking” issue with NAFTA.

Some Republicans like Representative Tom Rice (R-SC) believe Democrats are stalling the USMCA in an effort not to give President Trump a win. In a hearing in the House Ways and Means Committee on Wednesday, Representative Rice noted that the Mexican government recently passed labor reform in a direct effort to ease U.S. concerns, and that the

U.S. has gotten many concessions from Mexico across the board. Representative Jason Smith (R-MO) also criticized Democrats for moving slowly on Wednesday stating, “[i]t’s politically inconvenient for the Democrats to move something this president supports.” On Thursday when asked about the USMCA’s progress, President Trump announced that USTR Lighthizer was “waiting to get the OK from [Pelosi] to send it in, but we’re at the point where we’re just going to have to send it in. It’s all ready.” Senate Finance Chairman Chuck Grassley (R-IA) said in response that he would like to get the deal signed before August recess, but he does not believe it is likely.

### China Tariffs Remain, Tensions Continue

#### Key Points:

- *A White House Executive Order banned Huawei equipment from U.S. networks, with a 90-day reprieve offering modest relief.*
- *A meeting between Presidents Trump and Xi at the G20 in late June is possible, though it may not be ripe according to Chinese officials.*

While not specifically a trade issue, another development related to Huawei is likely to be viewed as part of the ongoing trade tensions between the two countries. Last week, the Trump Administration issued an [executive order](#) aimed at banning certain sales of “information and communications technology and services supply chain” to some foreign companies, an action that apparently keeping Huawei equipment from U.S. networks, and subjecting the Chinese company to strict export controls. The order addresses U.S. government concerns that equipment from Chinese suppliers could pose an espionage threat to U.S. internet and telecommunications infrastructure. Huawei, the world’s biggest

supplier of network gear, has been deemed a danger in U.S. national security circles for the better part of a decade. The move could also be seen as an attempt by the Trump Administration to exert more pressure on Beijing in the context of trade negotiations. Chinese Foreign Ministry spokesman Lu Hao said Thursday that the Trump Administration’s actions could impair the trade negotiations. He said, “China resolutely opposes any country’s unilateral sanctions against Chinese entities under its own domestic laws.” Spokesman Hao also declared that China would take the “necessary measures” to safeguard the rights and interests of Chinese enterprises, hinting that retaliation for Huawei is likely. The Commerce Department issued a 90 day reprieve for certain transactions in process, which was seen as modest relief.

The expected meeting between Chinese President Xi Jinping and U.S. President Donald Trump next month at the G20 summit in Japan is now “up in the air,” according to Chinese officials. China’s foreign ministry spokesperson Lu Kang said on Thursday that China is open to resuming the trade talks, but that the sanctions the U.S. placed on Huawei and other Chinese firms last week are “not helping to create a conducive environment for negotiations.”

A formal bilateral summit between Presidents Trump and Xi in Osaka would be seen as a sign of significant deceleration in tensions between the two countries, or at least offer a moment to change the trajectory of trade issues between the two countries. The summit in Buenos Aires in December of 2018 resulted in a three-month tariff truce. President Trump will come to the G20 about the same time as the notice and comment process to impose 25% tariffs on the

remainder of Chinese goods, so-called List 4, will be concluding. As a result, he would be able to impose tariffs on the remaining \$300 billion or more of goods, or relent from doing so or set the rate at 10%, at any G20 talks.

*For more information about trade issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Cullen Neely contributed to this section.*

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